The Dun & Bradstreet Corporation

C3150-4

The Dun & Bradstreet Business Expectations Survey

Prepared by the Economic Analysis Department

85Q4 For Immediate Release

News

Contact: Reid H. Gearhart, (212) 593-6727

FOURTH QUARTER 1985 BUSINESS EXPECTATIONS DROP TO LOWEST LEVEL IN TWO YEARS

OUTLOOK FOR PROFITS DIMS

RETAILERS MOST OPTIMISTIC

NEW YORK, Oct. 3--Fourth-quarter business expectations for sales, profits and employment fell to the lowest level since mid-1983, according to The Dun & Bradstreet Corporation's latest quarterly nationwide survey of 1,400 business executives.

"The current survey indicates that business leaders have taken a more cautious attitude regarding inventory surpluses and increased sales and profits," said Joseph W. Duncan, corporate economist and chief statistician for The Dun & Bradstreet Corporation. "Prices have stabilized, indicating that inflation, for the moment, is under control."

In the current survey, Dun & Bradstreet asked executives if they expected increases, decreases or no changes in fourth quarter sales, profits, prices, employment, inventories and new orders.

Of the executives surveyed, 71 percent said they expect increased sales in the fourth quarter, down from 74 percent in the third quarter (see Table 1). A breakdown of the results by industry sector showed that manufacturers of non-durable goods were the most optimistic, with 74 percent forecasting gains in sales. Although wholesalers and manufacturers of durable goods were the least optimistic, 69 percent in both categories still expected increased sales.

The overall outlook for increased profits decreased moderately in the fourth quarter, with 63 percent of the firms expecting gains versus 68 percent in the third quarter. Retailers expressed the most optimism, with 66 percent forecasting increases.

Expectations for higher prices fell 4 percentage points to 32 percent from 36 percent in the third quarter. The sharpest decreases occurred among wholesalers and retailers, where expectations fell 8 and 6 percentage points, respectively.

The percentage of firms planning to build their inventories also declined in the latest survey. Among all firms, 35 percent forecast an increase in inventories in the fourth quarter, compared with 39 percent in the third quarter. Except for the slight increase in inventory expectations for manufacturers of non-durable goods, the decline in other sectors ranged from 4 to 6 percentage points. Moreover, the percentage of firms planning to cut their inventories increased to 18 percent from 16 percent in the last quarter. "It is evident that during the current

business cycle, businessmen have been cautious about rebuilding inventories," said Duncan. "This caution continues to be reflected in our expectations survey."

While the percentage of firms planning to add workers increased slightly in the fourth quarter to 26 percent from 25 percent in the third quarter, the percentage of companies planning to reduce their staffs increased to 9 percent from 7 percent in the last quarter. "The basic outlook for increasing employment is virtually unchanged from the third quarter outlook," said Duncan. "The year as a whole is down somewhat from the previous year, which is reflected by the 2.25 million new jobs this year as opposed to 3 million last year."

Among manufacturers, the percentage of firms that expected increases in new orders remained unchanged at 69 percent. However, the percentage of manufacturers expecting decreases in new orders in the fourth quarter rose to 8 percent from 5 percent in the third quarter.

The accompanying graphs illustrate Dun & Bradstreet's quarterly optimism indices of sales, profits and employment (the percentage of respondents expecting increases minus the percentage expecting decreases) for the period 1980 through the fourth quarter of 1985. While these indices have declined from the near-record levels reached in 1984, optimism in the four quarters of 1985 has remained high relative to trends in the index in recent years.

The Dun & Bradstreet Corporation is the world's largest producer and disseminator of business information and related services, with worldwide operating revenues of nearly $2.4 billion in 1984.

(See Attached Tables)

TABLE 1

SURVEY OF BUSINESS EXPECTATIONS
Conducted by Dun & Bradstreet

WHAT BUSINESS EXECUTIVES EXPECT FOR THE
FOURTH QUARTER OF 1985 COMPARED WITH THE FOURTH QUARTER OF 1984

(Interview Period: August 12 to 23, 1985)

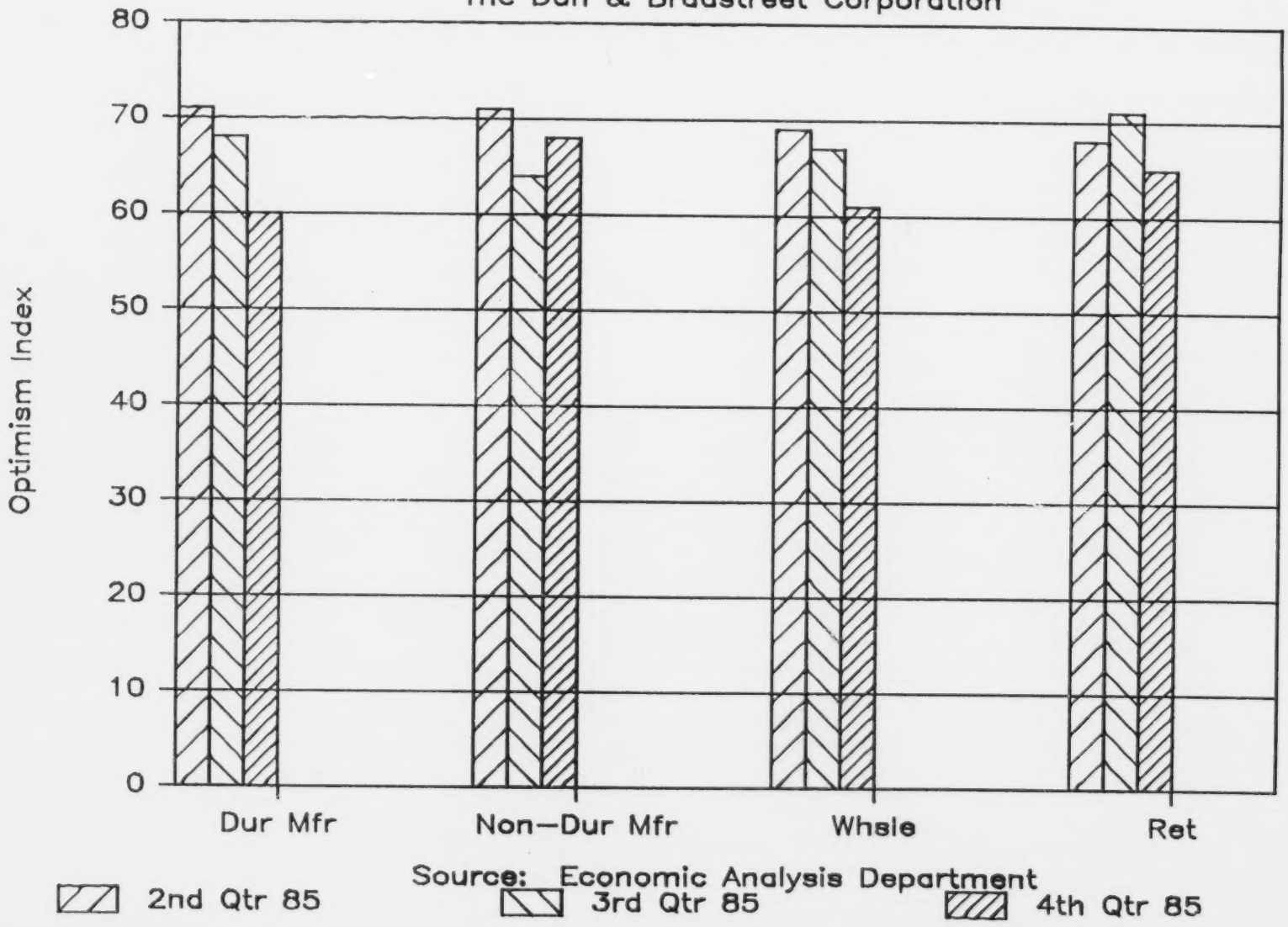
		All Firms	All Manufacturers	Manufacturers Durables	Manufacturers Non-Durables	Wholesalers	Retailers
	Number Reporting:	1,461	628	452	176	456	377
Net Sales	% Expecting — Increase	71%	71%	69%	74%	69%	73%
	% Expecting — No Change	22%	21%	22%	20%	24%	19%
	% Expecting — Decrease	8%	8%	9%	6%	8%	8%
	Number Reporting:	1,398	599	436	163	437	362
Net Profits	% Expecting — Increase	63%	64%	65%	62%	60%	66%
	% Expecting — No Change	27%	26%	26%	28%	31%	25%
	% Expecting — Decrease	9%	10%	9%	10%	9%	9%
	Number Reporting:	1,424	616	445	171	447	361
Selling Prices	% Expecting — Increase	32%	32%	32%	31%	31%	31%
	% Expecting — No Change	61%	62%	62%	60%	58%	63%
	% Expecting — Decrease	7%	7%	5%	9%	10%	6%
	Number Reporting:	1,449	627	453	174	449	373
Inventories*	% Expecting — Increase	35%	36%	36%	35%	36%	34%
	% Expecting — No Change	46%	44%	43%	46%	50%	46%
	% Expecting — Decrease	18%	21%	21%	19%	15%	20%
	Number Reporting:	1,469	633	456	177	457	379
Employees*	% Expecting — Increase	26%	31%	33%	28%	22%	20%
	% Expecting — No Change	65%	57%	55%	61%	73%	72%
	% Expecting — Decrease	9%	12%	12%	11%	5%	8%
	Number Reporting:		607	446	161		
New Orders	% Expecting — Increase		69%	69%	68%		
	% Expecting — No Change		23%	23%	24%		
	% Expecting — Decrease		8%	8%	8%		

* End of Quarter

Source: The Dun & Bradstreet Corporation
Economic Analysis Department

D&B — SALES OPTIMISM INDEX

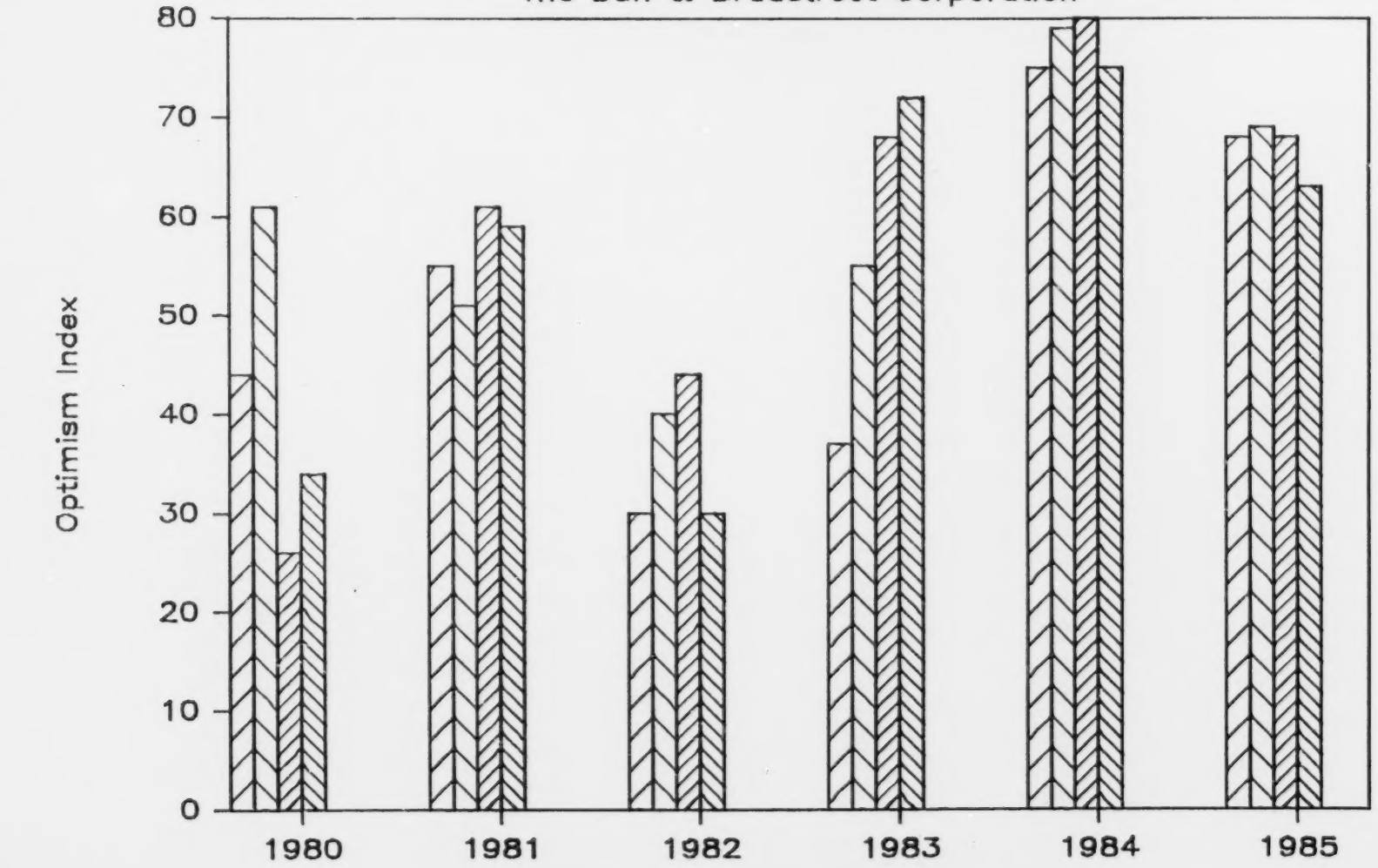
The Dun & Bradstreet Corporation



Source: Economic Analysis Department

Business Expectations — Sales

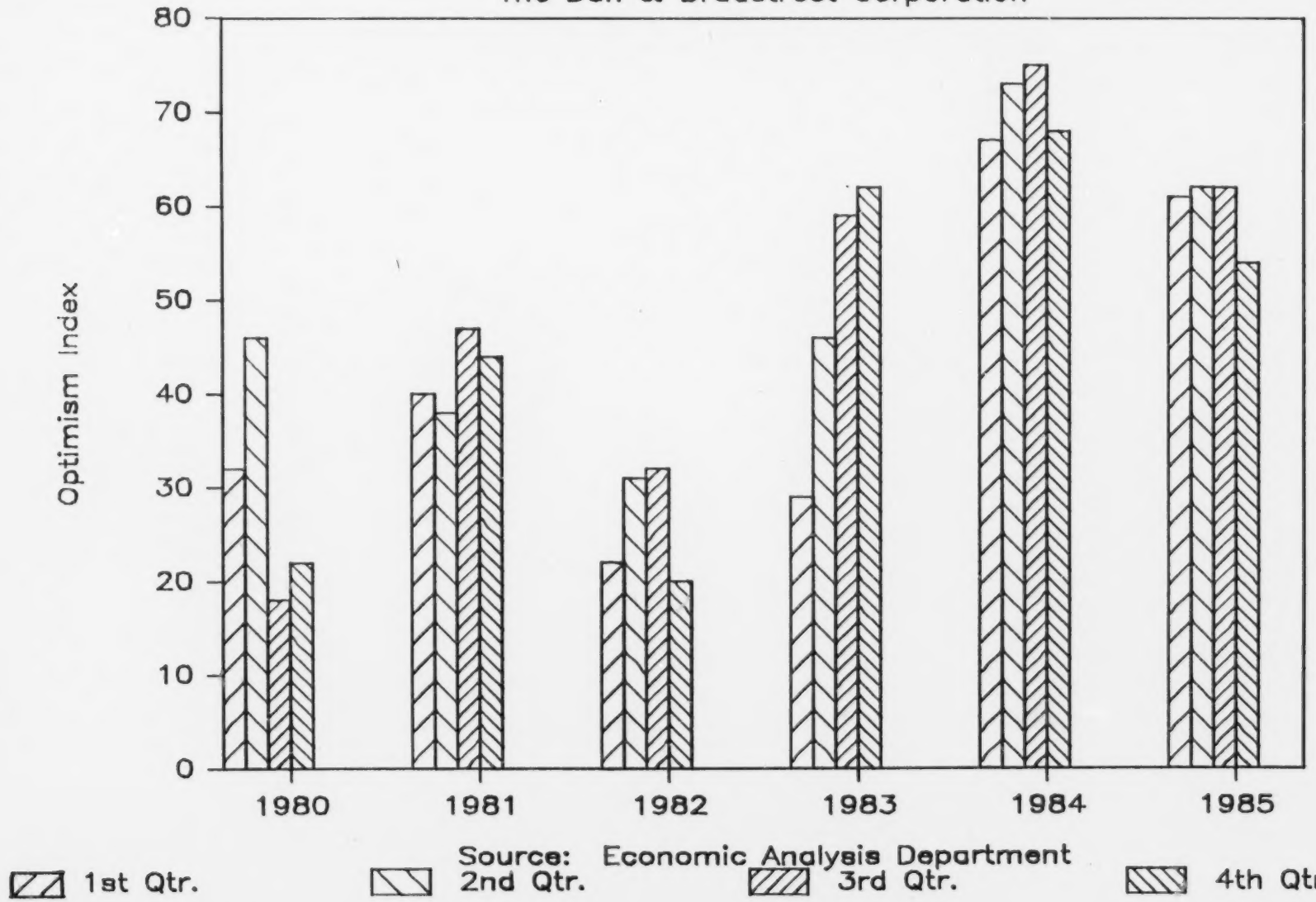
The Dun & Bradstreet Corporation



Source: Economic Analysis Department

Business Expectations — Profits

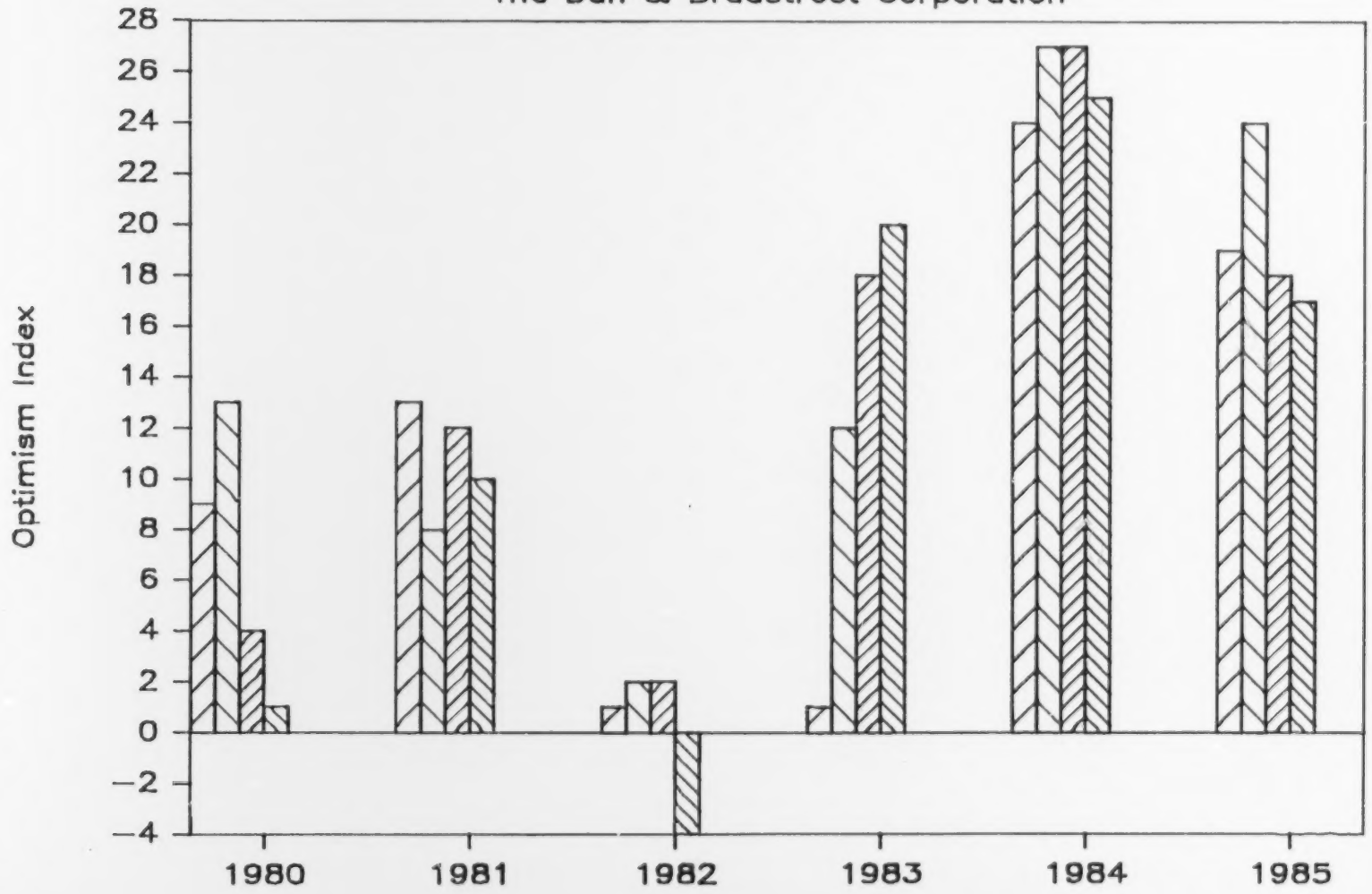
The Dun & Bradstreet Corporation



Source: Economic Analysis Department

Business Expectations — Employment

The Dun & Bradstreet Corporation



Source: Economic Analysis Department

October 3, 1985
(1795)